

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 L-03 PA-01

PRS-01 USIA-06 SS-15 H-02 /058 W

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R 121031Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4480

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E.O. 11652: N/A

TAGS: CIVAIR: PROPOSED BRITISH AIRWAYS CONTRACT
CARGO RATES

REF: LONDON 12165

SUMMARY: BRITISH CIVIL AVIATION AUTHORITY (CAA) HAS APPROVED BRITISH AIRWAYS (BA) PROPOSED CONTRACT CARGO RATES. BA INTENDS TO FILE THEIR NEW RATES WITH THE CAB ON AUGUST 13 TO HAVE THEM GO INTO EFFECT ON SEPT. 12. US AIRLINES CONCERNED THAT BA ALREADY APPROACHING LARGE SHIPPERS TO COMMIT THEMSELVES TO CONTRACTS NOW. END SUMMARY.

1. EMBASSY INFORMED BY TWA AND CAA (BOSWELL) VERIFIED THAT CAA HAD GIVEN APPROVAL VERBALLY AUGUST 10 TO BA FOR ITS NEW CONTRACT CARGO RATES. BA REP TOLD EMBASSY IT PLANS TO FILE ITS NEW RATES WITH CAB ON AUGUST 13 TO TAKE EFFECT SEPT. 12. CAA WILL SEND ITS WRITTEN APPROVAL TO BA WITHIN THE NEXT FEW DAYS SPECIFYING VARIOUS CONDITIONS SUCH AS REGISTRATION OF CONTRACTS WITH CAA, APPROVAL BY CAA OF ANY SUBSEQUENT CHANGES, MONITORING OF CONTRACT PERFORMANCE, AND FULFILLMENT OF CONTRACT BY SHIPPER BEFORE NEW CONTRACT CAN BE CONCLUDED. CAA NOTICE OF APPROVAL WILL BE ROUTED TO CAB THROUGH BRITISH EMBASSY IN LIMITED OFFICIAL USE

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WASHINGTON.

2. US AIRLINE REPS (TWA, SEABOARD, PANAM) TAKEN COMPLETELY BY SURPRISE AND VERY DISTURBED BY BA MOVE SINCE UK BOARD OF AIRLINE REPS HAD JUST CONCLUDED AN AGREEMENT TO CLEAN UP THEIR CARGO RATE PRACTICES WHICH TOOK EFFECT AUGUST 1. AGREEMENT HAD WORDING IN IT TO EFFECT THAT IT DID NOT PRECLUDE AN AIRLINE PROPOSING NEW RATES "IF ECONOMICALLY JUSTIFIABLE." US AIRLINE REPS ARGUE THAT ON YIELD PER TON MILE BASIS RATES ARE FAR TOO LOW. ONE CITED PRESENT COSTS IN THE RANGE OF 28 TO 30 CENTS PER TON MILE, WHILE BA PROPOSED RATES WOULD, HE CLAIMED, YIELD ONLY ABOUT 15 CENTS PER TON MILE. PANAM REP SUGGESTED THAT BA HAS ONLY A LIMITED CARGO CARRYING CAPACITY VERSUS PANAM, SEABOARD AND, TO A LESSER EXTENT, TWA AND THAT A HANDFUL OF LARGE SHIPPERS WOULD BE ALL IT WOULD NEED OR COULD HANDLE. US AIRLINE REPS HERE EXPECT THEIR COMPANIES TO OPPOSE PROPOSED BA RATES BEFORE CAB.

3. US AIRLINES REPS ALL UNDERSTAND FROM A VARIETY OF SOURCES THAT BA HAS APPROACHED LARGE SHIPPERS AND URGED THEM TO COMMIT THEMSELVES TO CONTRACTS NOW ON BASIS THAT BA CAN ONLY TAKE A CERTAIN TONNAGE OF CONTRACTS. US REPS EXPECT CAB WILL ULTIMATELY BLOCK THE NEW RATES BUT THAT CAB, THE US GOVERNMENT AND THE US AIRLINES WILL BE THE LOSERS. IN RESPONSE TO QUERY OF WHY BA IS PROPOSING AND CAA APPROVING RATES THAT ARE UNECONOMICAL, ONE US AIRLINE REP SUGGESTED THAT THE CONCORDE'S DIFFICULTIES IN THE US HAVE AN INFLUENCE.

4. BA REP SAYS THEY WILL NOT SEEK CONTRACTS UNTIL CAB APPROVAL, BUT THAT THEY ARE TAKING NOTE OF SHIPPERS INTERESTED. DETAILS OF CONTRACT ITSELF HAVE BEEN ironed OUT. SHIPPER SHIPPING LESS THAN CONTRACT TONNAGE WOULD BE REQUIRED TO PAY FOR CONTRACT TONNAGE TO NEAREST TRANS-ATLANTIC POINT, I.E. NEW YORK. BA COULD RESTRICT TONNAGE SHIPPED IN ANY ONE MONTH TO 15 OF CONTRACT TONNAGE. BA SEES NEW RATES AS ELICITING GREATLY INCREASED VOLUME OF AIR CARGO, WHILE US AIRLINE REPS DOUBT THAT SIGNIFICANT VOLUMES OF NEW BUSINESS ARE THERE TO BE GENERATED. ONE OBSERVER NOTES THAT THE BA FREIGHT ALL KINDS (FAK) RATE LIMITED OFFICIAL USE

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DOES OVERCOME THE AIRLINES' PERENNIAL COMPLAINT OF HAVING TO DEAL WITH A PLETHORA OF SPEC RATES.

ARMSTRONG

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CARGO, AIR FARES, CONTRACTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON12599
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760310-0645
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760861/aaaacaxb.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LONDON 12165
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2004 by GarlanWA>; APPROVED <09 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EAIR, UK, US, BRITISH AIRWAYS, TWA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006